

**Report to Joint Standing Committee on Legal and Veterans Affairs
Review of Allocation of Slot Machine Revenue**



**Submitted by
Autotote Enterprises
The Turf Club at John Martin's Manor
55 College Avenue
Waterville, ME**

The Turf Club at John Martin's Manor

Autotote Enterprises, Inc. purchased John Martin's Manor in June 2005. The sale included the real estate, restaurant and Off-Track Betting operation.

Autotote continued to operate the restaurant in an effort to preserve jobs, grow the business and maintain a cherished local institution that was an important part of the local community. Unfortunately, declining consumer demand led to the closing of the restaurant in December 2007.

The racino funds, also known as the cascade, are critical in sustaining the operation in the midst of a poor economy, declining handle, escalating costs, and general operating expenses. Without the funds, John Martin's Manor would cease to exist.

The economic benefit of the cascade has been measureable.

Since June 2005 - 2009, Autotote generated \$1, 813,953 in payroll employing people in Waterville and surrounding communities. In addition, it has purchased goods and services from numerous small businesses in the area.

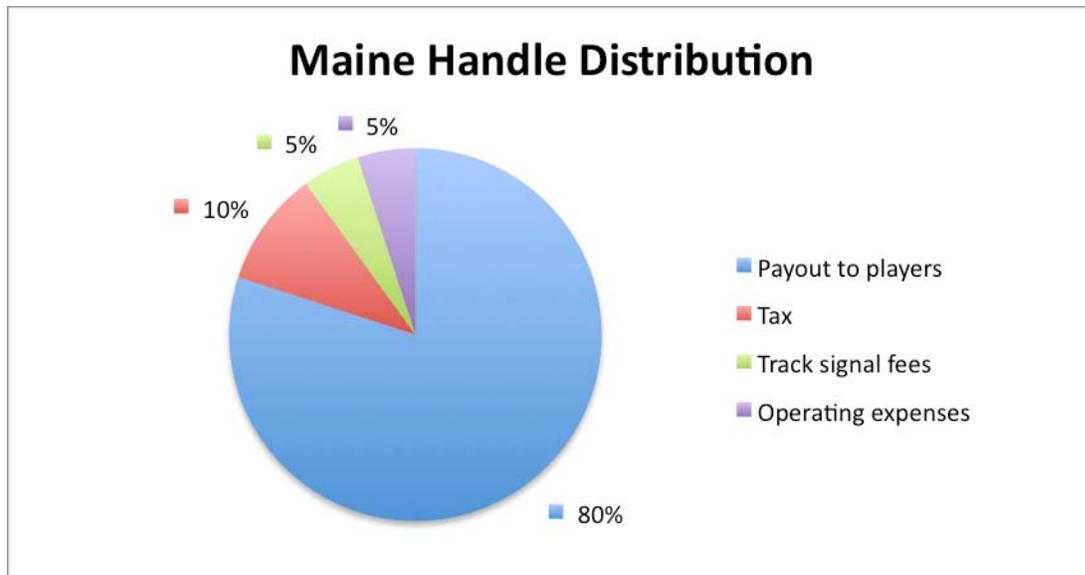
Autotote pays ten percent in state tax that fund purses for the harness industry. From 2005 through 2009, Autotote has paid \$2,507,387 in taxes to the State of Maine.

Direct Economic Impact	
2005 – 2009	
Pay-Roll	\$1,813,953
Tax to State & Industry	\$2,507,387

Economics of Pari-Mutuel Wagering

Understanding the economics of pari-mutuel wagering is critical to understanding the obstacles facing off track wagering. When someone places a wager in Maine, approximately 20% of that wager is retained by the operator; however, 80% is redistributed to the players as winning pay-outs. From the 20% that is paid to the operator, the operator has to give one-half to the racing industry. As a result, the operator receives 10% of the wager to cover all other expenses such as track fees, employee compensation, maintenance and repair to the premises and other expenses.

Handle Allocation





From 2005 – 2009, the Turf Club at John Martin’s Manor contributed \$2,507,387 in tax revenue.

Autotote employed 15 people in 2008 and 14 in 2009.

Employees				
	Full	Part time	Total	Pay-roll
2009	1	13	14	\$163,384
2008	1	14	15	\$164,066

In a study, *The Economic Impact of the Equine Industry in Maine*, prepared for the Maine Harness Racing Promotion Board and the Maine Farm Bureau Horse Council analyzed the impact of harness racing for the state including live racing and off-track betting facilities. According to the study:

“The direct business sales in 2006 at live racing and off track betting facilities amounted to approximately \$20 million. These sales created 500 jobs and \$7 million in income.

The indirect, or supply chain impact of the \$20 million in business sales amounts to an additional \$5 million in business sales, supporting an additional 75 jobs earning an income of about \$2 million.

The induced, or consumer spending, impact of the direct and indirect spending amounts to almost \$15 million in additional business sales, with another 175 jobs earning approximately \$6 million in income.

The \$20 million in sales at these live racing and off-track betting facilities results in approximately \$40 million in total sales for Maine business and support an estimated 750 jobs earning about \$15 million in income.”

The regulatory requirements to operate an off track betting facility are costly. For instance, the OTB operators are required to have a Class A Restaurant / Lounge liquor license, which requires the operation of a restaurant. Unfortunately, operating a restaurant is difficult in any climate, but particularly during slower economic times.

Restaurant Operations	2008	2009
Revenue	\$58,250	\$64,453
Expenses	\$162,531	\$169,159
Total	-\$104,275	-\$104,706

Other significant expenses related to daily operations include

Significant Operating Expenses	2008	2009
Handle Related Expenses	\$325,972	\$256,624
Payroll	\$163,384	\$164,066
Utilities	\$79,456	\$69,964
Real Estate & Property Tax	\$25,366	\$25,366
State Tax	\$500,255	\$384,385

As such, the cascade has been necessary to keep the operation viable – creating jobs, supporting ancillary businesses and contributing to agribusiness. With the economic constraints imposed on OTB the Cascade is critical to OTB’s survival.

The OTB network was established in 1995 to support the harness industry by generating revenue for purses, but the world has changed since the introduction of the OTB in the early nineties. Today, there is increased competition for people’s discretionary income, including poker games, internet wagering, slot machines, etc.

It was the establishment of a Racino in Bangor that led to the creation of the cascade to help sustain the Off-Track Betting network, fairs and other segments of the harness industry, because the racing industry would be negatively impacted by competition from slot machines.

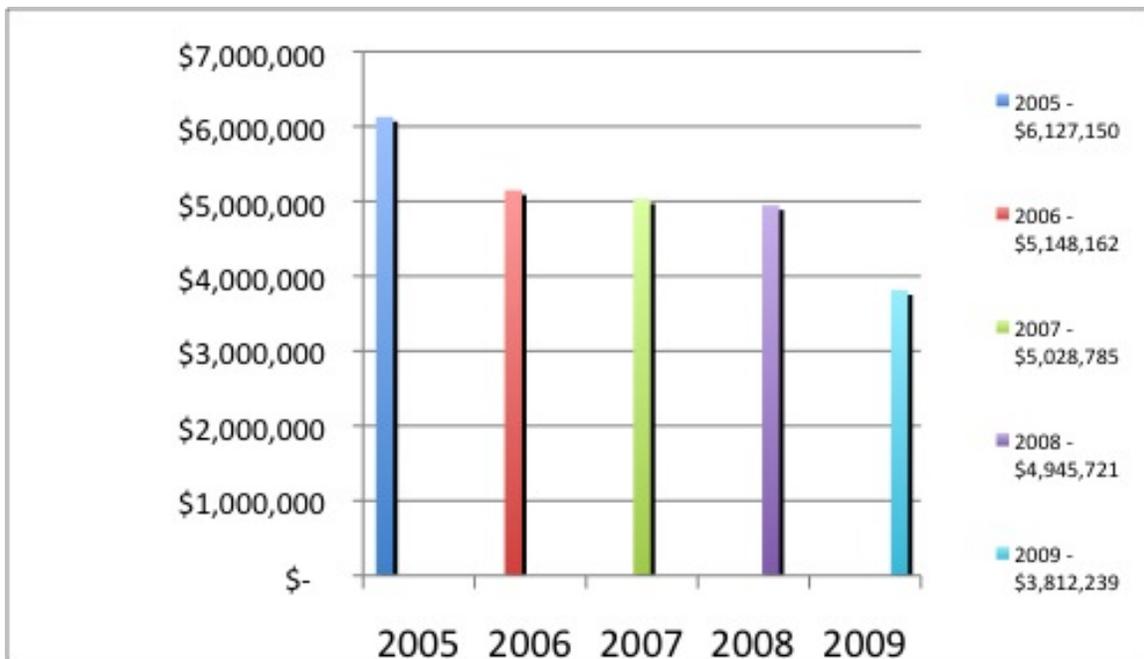
Many states have recognized this dilemma and have voted enthusiastically to support the pari-mutuel industries in their states because they are huge economic generators, employing thousands of people, supporting ancillary businesses, saving green space and sustaining a way of life and the traditional values communities cherish.

Since 2005, John Martin's Manor received \$773,731 from the cascade, while providing the State of Maine with substantial tax revenue and employing Maine residents that we estimate has benefitted the State to over \$4.3 million. This does not take into account local real estate and property taxes, money spent on goods and services and other expenditures.

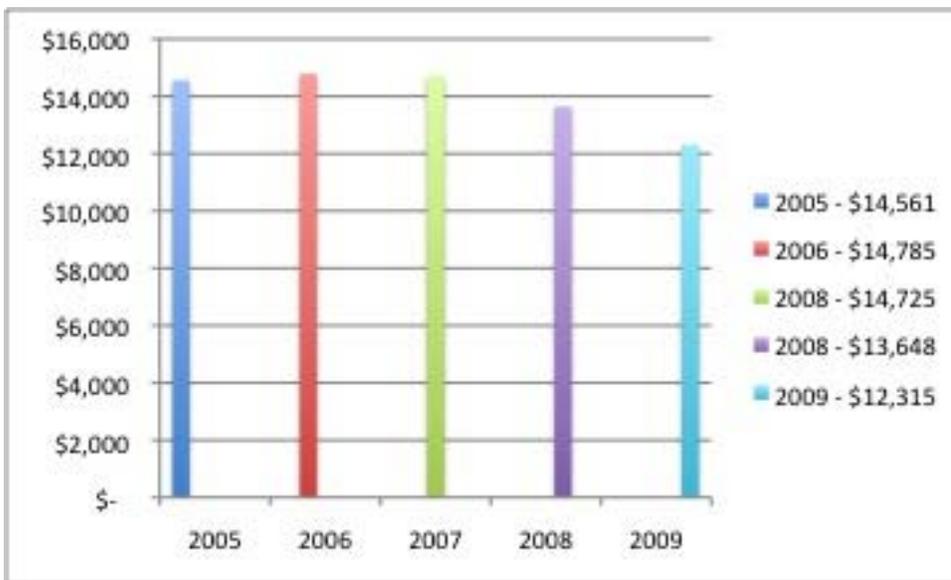
The Cascade is a vital part of the economics of owning and operating an off-track wagering operation in Maine, and AEI is strongly in favor of its continuation.

Declining Business at the Turf Club

Handle (money wagered) has been declining, not only in Maine, but also throughout the industry nationwide. Turf Club Handle:



National Thoroughbred Pari-Mutuel Handle Decline



Information from The Jockey Club. (billions)

Conclusion

The 10% tax on gross handle, increasing costs, declining handle and poor economy make for a difficult business climate. Due to this environment, John Martins Manor is in survival mode. At this time it is difficult to make significant capital expenditures, because the revenue stream may not support a return on investment. With the continued threat that the racino money may be rescinded, making long term decisions becomes difficult.

Autotote elected to preserve the on-going business that it purchased in 2005, generating over \$1. 8 million in pay-roll, but was unsuccessful keeping the restaurant operation viable.

Autotote understands the importance to the state of Maine, to the breeders, owners, farm and track employees and ancillary businesses that support this vital agribusiness that has been such a big part of the tradition and history of the state. Autotote will continue to work to improve its operation in order to grow handle, generate revenue for the state and keep people gainfully employed. The continuation of the cascade is critical to the viability and sustainability of the Off-Track Betting operation.